

1-1-1987

Why graduate school for careers in professional accounting?

American Institute of Certified Public Accountants. Relations with Educators Division

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Recommended Citation

American Institute of Certified Public Accountants. Relations with Educators Division, "Why graduate school for careers in professional accounting?" (1987). *Guides, Handbooks and Manuals*. 314.
https://egrove.olemiss.edu/aicpa_guides/314

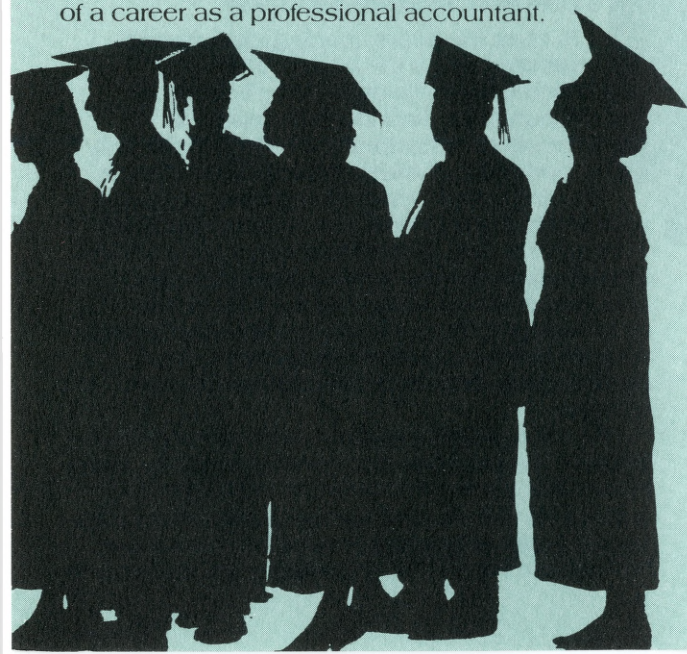
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The Best Way To Get a Graduate Education

MANY COLLEGES and universities offer baccalaureate and master's degree programs in accounting. You can combine an undergraduate accounting program with graduate accounting study at the same or at a different university. It is possible that an MBA with an accounting concentration may provide the appropriate educational experience. Some universities have a professional school or a program of accounting consisting of two years of preprofessional preparation and three years of more advanced professional-level studies that culminates in a graduate degree.

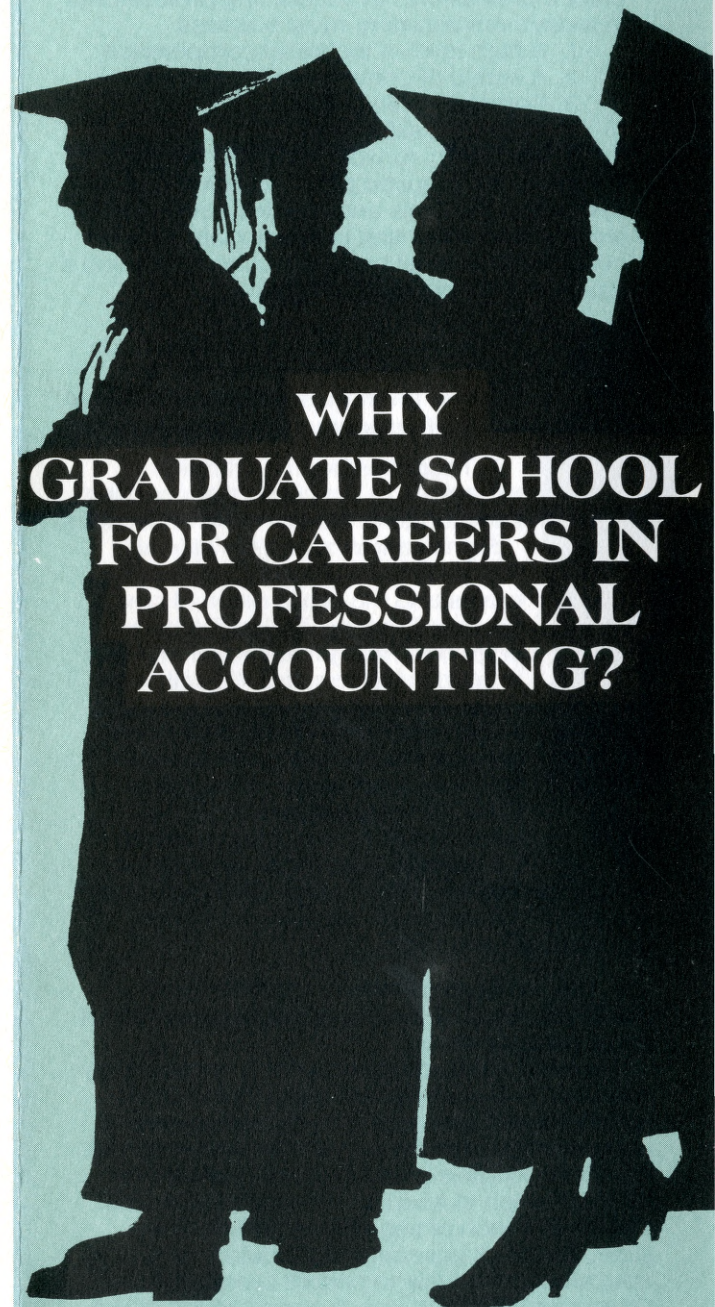
Irrespective of the alternative you choose, it is important that your preparation includes a broad general education in the humanities and sciences, particularly in those fields that are relevant to accounting, such as communications, behavioral sciences, mathematics, economics, computer applications, and managerial skills, including business strategies. Professional courses in accounting should cover such areas of study as the following: organization of the profession; ethics and professional responsibilities; auditing; financial, managerial, and governmental accounting; and taxation.

Your education is the key to making the most of a career as a professional accountant.



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**WHY
GRADUATE SCHOOL
FOR CAREERS IN
PROFESSIONAL
ACCOUNTING?**

Rising Requirements For the Profession

STUDENTS who major in accounting aspire to enter a profession. An accounting professional in today's environment must possess

1. A high level of technical competence.
2. A sense of commitment to service.
3. Communication skills.
4. Analytical skills, and
5. The ability to work well with people.

To obtain the required body of knowledge and to develop the skills and abilities needed to be successful accounting professionals, serious consideration must be given to study beyond a four-year baccalaureate program.



• Why is a four-year undergraduate program no longer adequate to acquire the requisite knowledge and skills of an accounting professional?

1. There has been a dramatic expansion in the body of accounting knowledge in the last several decades.

Significant increases in official accounting and auditing pronouncements and the proliferation of new tax laws have expanded the knowledge base that professional practice in accounting requires. Equally dramatic developments have occurred in the supporting disciplines of economics, mathematics, behavioral sciences, and computer applications. Professional practice has increasingly incorporated relevant knowledge from these disciplines

which has added to the enormous increase in the subject matter to be integrated into the accounting curriculum.

2. This expanding knowledge base is primarily the result of the changing environment of accounting practice.

Business methods have become increasingly complex. For example, the rapid evolution of new business practices in franchising, leasing, and diversification through the formation of multinational conglomerates has put pressure on the profession to keep up with these changes. The proliferation of regulations from federal, state, and local governments requires well-educated individuals to ensure compliance. Other crucial factors—such as protection of our

environment, diminished supplies of energy and other natural resources, and increasing international competition—have intensified the need for more comprehensive disclosure and more responsive financial reporting.

In addition to the increased complexities of business, improvements in technology have had a major effect on information systems design, internal control procedures, and auditing methods.

3. The staffing needs of accounting firms are changing substantially.

With more sophisticated approaches to auditing now in use and with the increase in business demand for a variety of highly technical accounting services and greater audit efficiency, the requirements for effective professional practice have increased sharply. The demand for a large quantity of people to perform many routine auditing tasks is rapidly diminishing.

Accounting firms need better educated and more committed graduates who can advance to the higher level ranks rapidly. They need individuals who have not only the technical competence to perform necessary services, but who also have the ability to analyze and evaluate complex business problems, as well as the interpersonal skills and maturity to make decisions in a client-service-oriented environment. In short, the day of the narrowly educated technician is gone.

4. The additional academic work needed to acquire the technical competence and to develop the skills required by today's accounting professional is best obtained at the graduate level. The higher standards of expectation of a graduate-level program enable one to more fully develop the needed skills, particularly those of communication, presentation, and interpersonal relations, and to integrate them with the technical knowledge being acquired.

• Why will a graduate education benefit a future accountant?

1. It has been demonstrated that students who extend their education beyond the baccalaureate degree have a substantially higher rate of success on the CPA Examination, an important measure of technical competence. The following table summarizes the November 1984 CPA Examination's pass rates of first-time candidates by level of academic degree.

Test Sections	Candidates With Advanced Degrees	Candidates Without Advanced Degrees
Auditing	42.6%	28.9%
Law	46.3	30.4
Theory	50.7	34.5
Practice	49.1	33.8
Passing all parts	28.1	18.0

2. Graduate accounting degree holders have a better selection of job opportunities. According to a recent supply-and-demand study of the American Institute of Certified Public Accountants (AICPA), public accounting firms expect to hire 39 percent of the master's degree holders but only 28 percent of those with bachelor's degrees. The remaining graduates will go into industry, government, and other not-for-profit organizations.

3. Master's degree holders receive starting salaries that are approximately 10 to 20 percent higher than the starting salaries of those with only bachelor's degrees.

4. There is evidence that promotions to manager and partner and to corporate managerial positions are increasingly going to individuals with master's degrees. In fact, two national accounting firms that have data available on promotions to manager reported 43 percent and 80 percent faster promotion rates respectively for those with a post baccalaureate education.

5. Over the years, leading professional organizations, such as the AICPA, the National Association of State Boards of Accountancy, and the Federation of Schools of Accountancy, have consistently supported a postbaccalaureate education requirement for entry into the accounting profession. Some states now require graduate education before a candidate can sit for the CPA Examination; others are moving in that direction. A special committee of the AICPA has been working, in cooperation with other organizations, toward legislative enactment of a postbaccalaureate education requirement in all states.

The principal goal of such a requirement is to improve the quality of accounting services. Many in the profession are convinced that such a requirement will attract a higher quality, more committed professional student and will provide a better base for technical competence and growth.

